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Why Leadership Style Matters: A Closer Look at Transformational Leadership and Internal Marketing

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ABSTRACT

Purpose – The main purpose of this study is to evaluate the relationship between transformational leadership and internal marketing which is underscored by the centrality of human resources in satisfying employee's needs and how internal marketing, as a moderator and mediator, can facilitate the effects of transformational leadership on social capital and employee loyalty.

Design/methodology/approach – This study develops a model and a number of propositions, based on preceding literature on transformational leadership and internal marketing on social capital and employee loyalty

Findings – The model proposes that transformational leadership can play a vital role in codification of human resources variables such as internal marketing, which is founded upon the principle of paying greater attention to employees. Moreover, despite the research gap on the relationship between social capital and employee loyalty, it can be concluded that social capital can increase the level of employee loyalty to organization.

Research limitations/implications – The proposed model has a number of academic and managerial contributions. This study contributes the knowledge by examining the relationship between transformational leadership and internal marketing. Managerially, this study helps managers to emphasize the centrality of human resources in satisfying employees and increase their loyalty towards the company. In addition, guarantees management effectiveness and organizational success in reaching their intended goals.

Originality/value – Despite the growing acknowledgment the importance of transformational leadership as a process in which leaders and followers upgrade each other's level of ethic and motivation. However, there are few studies on the role and importance of transformational leadership on developing and reinforcing the internal marketing.

Keywords: Transformational leadership; internal marketing; social capital; employee loyalty; organizational citizenship behavior; customer satisfaction

1 Introduction

The complexities of today's world are the source of different problems that impede the growth and progress of organizations and poses various challenges to managers, planners, leaders, and organizers of humanity convoy. It is especially evident in inability of many organizations to deal with these organizational issues and problems. In this context, the role of leadership style and internal marketing as two key factors of efficiency and effectiveness have gained significance due to their effect on increasing organizational growth, quality of services, successful competition, employees' motivation, job satisfaction, cost reduction, and pragmatism. It is obvious that a proper leadership style enhances employees' job satisfaction and the perception that their goals are parallel with organizational goals, which in turn stimulate them to achieve goals of organization and manager. Finally, this guarantees management effectiveness and organizational success in reaching their intended goals (Smith et al. 1977).

Bushra (2011) believes that successful management of employees is largely dependent on the quality of leadership in organizations (Bushra et al. 2011). Therefore, the role of leadership is to facilitate the cooperation of people at workplace (Shibru and Darshan 2011), which explains the emphasis of today's organizations on understanding, development and improvement of their leadership (Bushra et al. 2011). In fact, these leaders besides enhancing their proficiency, increase the incentives of followers, their effectiveness and organizational function in general (Rafferty and Griffin 2004). According to Burns (1978), transformational leadership is a process in which leaders and followers upgrade each other's level of ethic and motivation (Best 2001; Burns 1978). In recent years, many organizations and administrations have undergone massive infrastructural changes, particularly in management, in response to environmental changes such as revolution, competition, privatization, etc. Therefore, adoption of a proper leadership style can improve an entire organization. Managers are

oblivious to their employees' needs and demands, because of their preoccupation with other problems. Therefore, employees and followers do not appreciate their every action.

Employees often have demands that managers are not aware of or pay less attention to them. These factors tend to give rise to misunderstandings between managers and employees, thereby leading to discouragement and low job satisfaction of subordinates. This reduces organizational efficiency and hinders the realization of organizational goals. However, if managers instead of behaving authoritatively and giving orders, try to recognize their employees' needs and adopt their leadership style in accordance with these needs to further motivate subordinates for fulfillment of organizational goals, it would facilitate the achievement of organizational purposes. Therefore, a proper leadership style improves employees' job satisfaction and their understanding that their goal are parallel with organization goals. As a result, they dedicate themselves to the achievement of organizational and management goals (Smith et al. 1977).

Today the necessity of adopting a proper attitude towards human resources and organizational behaviors such as transformational leadership and incorporation of internal marketing components as a critical element for achieving competitive advantage through motivation of employees has gained significance. Therefore, the optimized utilization of practical abilities and knowledge of those employees who attempt to share their innovative and creative ideas with their coworkers and managers and offer better services to customers is of utmost importance. This is the upshot of internal marketing and demands accurate leadership and management of this integral part of human capital. Thus, considering the importance of transformational leadership and features of internal marketing concepts for development of human resources, the significant points which can be discovered from their

relationship should not be neglected. This can be considered as a new method for organizational management, which has important implications for leadership and management in today's world. This paper presents a model which is based on the relationship between transformational leadership and internal marketing and could be used as a guide for future researches. Accordingly, after defining transformational leadership, internal marketing and their dimensions based on a conceptual approach, we identify a leadership style by evaluating the relationship between leadership style and incentives of managers, which is in parallel with employees' incentives, and significantly influence their motive for further activities.

2 Literature review

2.1 Conceptualization of transformational leadership

As noted leadership is a dominant theme in organizational studies (Merrilees and Frazer 2013), and leadership is often conceptualized as a multidimensional construct (Bass 1985). Since 1950, there have been significant changes in leadership theories. As such, the evolution of leadership theories includes four categories: 1) Specific characteristics of leadership theories; 2) leadership styles theories; 3) contingency theories and 4) transformational leadership theory. Despite the consistency of studies on leadership, today's researcher's deal with a new approach called '*transformational leadership*'.

Transformational leadership is a means of reducing collaborative conflicts via provision of social support, reduction of interpersonal conflicts, and encouragement of employees to express their ideas (Yang 2013). Also, Bass and Riggio (2006) assert that transformational leadership focuses on promoting an organization and its members to a more optimal state that is aligned with organizational vision, mission and goals (Bass and Riggio, 2006; Top et al. 2015). In fact, transformational leadership is about building relationships among people and

making significant changes by emphasizing values and developing a shared vision among those associated with the organization (Martin 2015). Transformational leaders create their vision using relevant abstract signs and ideas (Parr et al. 2013). This model, which is derived from Hellriegel and Slocum (1996), is shown in Figure 1.

<<<Insert Figure 1>>>

Figure 1 shows that transformational leadership is a variable of situational context and behavior of leaders and followers. This is somehow similar to leadership function in situational leadership theory, but it differs in terms of behavior of leaders and followers and situational context. Since the behaviors of leaders and followers suggest that leaders possess attractive features, followers try to identify with leaders by having high incentives and acting as their absolute subordinates (Hellriegel and Slocum 1996).

2.2 Nature and conceptualization of internal marketing

The concept of internal marketing (IM) was introduced about 30 years ago (Berry 1981), as a means of continuous improvement of services quality (Hume and Hume 2015). At the heart of internal marketing, there is the concept that employees form the internal market of the company (Varey 1995). Internal marketing aids organizations to focus on their inner atmosphere with an eye for deep cultural layers to serve the interest of their staffs (Bowen and Ostroff 2004). Internal marketing is a technique of driving employees toward organizational goals, which includes a set of rules such as employees' alignment, training, and motivation to reach organizational goals. Internal marketing is a process in which employees not only learn about the value of plan but also their role in plan (Winter 1985). In fact, internal marketing increases the level of satisfaction among departments and promotes

the effectiveness of internal supply chain, which in turns leads to increased integration of departments and conflict reduction ; Ahmed and Rafiq 2002).

Based on its definitions and concept, it can be said that internal marketing is a crucial (paramount) mechanism for creating a workplace in which employees enjoy their job experiences and organization can tap into the maximum potentials of their employees (Vasconcelos 2008). The main point in internal marketing is to treat employees as internal customers of organization and focus on their satisfaction, which helps an organization provide desirable services for external customers and increase their satisfaction too (Hwang and Chi 2005). Researchers believe that marketing technique is the chain joining employees and customers in an organization, which aims to improve customers' understanding of service quality via employees' job satisfaction. Therefore, employees' job satisfaction is the intermediate goal of internal marketing plan and its final objective is customer satisfaction (Gounaris et al. 2010).some researchers argue that internal marketing involves the application of marketing and human resources management principles to influence employees to deliver improved services to customers (Narteh and Odoom 2015).

Internal marketing is linked to all internal activities of an organization, but it is especially related to human resources management (Collins and Payne 1991). The ambiguity that may arise in internal marketing is the same as the one in human resource management. Human resource management and internal marketing are two different concepts, though they have a lot in common. Human resource management offers mechanism such as training, recruitment, and job-path planning, which are used in internal marketing, but internal marketing provides guidelines for using these mechanisms (Grönroos 2000a). Thus, it can be said that internal marketing plays an important role in effective education and training of human resources,

which in fact indicates a close relationship between internal marketing and human resource management (Mousavi Davoudi and Kaur 2012). On the other hand, some aspects of HRM activities such as job analysis, recruitment, performance management, rewarding, training and development in gaining employees' obligation, job satisfaction, and their trust have a great effect on internal marketing success (Bansal et al. 2001). It seems that HRM and its related activities cover internal marketing and its elements. In other words, internal marketing is the core of HRM (Mousavi Davoudi and Kaur 2012).

As such, by using tools such as motivational incentives, recruitment, effective communication, empowerment, honoring and respecting, employee development, etc., managers can satisfy their employees. Therefore, the primary goal of internal marketing and human resource management is to address employees' needs, which can lead to employees' satisfaction, organizational commitment, organizational citizenship behavior, improved job performance and employee loyalty, among other things. These items represent the "intermediate goal", which finally bring about the satisfaction of external customers (ultimate goal) (Figure 2). The intermediate part of the model indicates that satisfied employees are more willing to have higher commitment and loyalty to organization and are less likely to leave their jobs.

<<<Insert Figure 2>>>

2.2.1 Internal marketing dimensions

Table 1 shows different components of internal marketing identified in the literature. Results of studies on internal marketing show that components such as training and development, recruitment, communication, motivation, reward, and empowerment are key factors of internal marketing explored by researchers. However, other factors such as organizational support, honor and respect, and sympathy should also be taken into account.

<<<Insert Table 1>>>

3 Relationship between transformational leadership and internal marketing

A review of literature in transformational leadership and internal marketing displays a gap in theoretical and empirical framework of this field. We believe that transformational marketing affects the development and reinforcement of internal marketing in an organization. However, the relationship between transformational leadership and internal marketing has not been sufficiently studied, though some theoretical and empirical researches have confirmed the relationship between these two variables by focusing on internal marketing dimensions (Menguc and Auh 2008; Kimura 2012; Zhu et al. 2012; Skakon et al. 2010; Sun et al. 2012; Beverly 2010; Namasivayam et al. 2014). Therefore, in this part, attempts have been made to demonstrate the logical relationship between these two variables from a different perspective, namely that of internal marketing.

3.1 Transformational leadership and employee motivation

Transformational leaders not only identify demands and needs of employees and the organization but also seek to satisfy higher needs of employees (Hoffmeister et al. 2014) by stimulating them (Avolio and Bass 1991). Indeed, these leaders increase employee motivation, improve organizational effectiveness and performance, and increase their proficiency (Rafferty and Griffin 2004). Also, it allows the transformational leader to create incentives for greater involvement of employees by encouraging them to find new solutions for different problems and challenges and identifying their needs (Avolio et al. 2004; Best, 2001). With regard to above points, the following suggestion is recommended:

Proposition 1: The effective implementation of transformational leadership style, increases the level of employees' motivation.

3.2 Transformational leadership and empowerment

The adoption of an appropriate leadership style improves job satisfaction of employees. As a result, employees find out that their goal are in line with organizational goals and therefore dedicate themselves to achievement of these goals. This also ensures management effectiveness and organizational success in achieving predefined goals (Smith et al. 1977). Moreover, transformational leaders attempt to encourage their employees. This leadership style seeks to empower employees and increase their skills with the aim of improving the performance and outcomes of the organization (Agirre et al. 2014). For this reason, it is said that transformational leadership is a process, which boosts commitment to organizational goals and empowerment of employees in order to fulfill organizational objectives (Magliocca and Christakis 2001). Similarly, another study has shown that employee empowerment serves as a positive mental capital influenced by transformational leadership (Ambrose 2009). Considering the points discussed above, the second proposition is presented;

Proposition 2: The effective implementation of transformational leadership style empowers employees and increase their level in organization.

3.3 Transformational leadership and communications

Transformational leaders are characterized by a set of particular behaviors, such as helping subordinates to reach higher level of success, enabling them to trade their self-interests with collective welfare, focusing on individuals' abilities to facilitate their growth and improving their mental abilities to solve problems differently (Bass 1985). Therefore, since the mission of transformational leadership goes beyond mere satisfaction of instant needs, these leaders use their optimism, intellectual attraction and other personal skills to improve ideas and performance of people and organizations (Skakon et al. 2010). Moreover, Kohli and Jaworski (1990) introduced senior management leadership as the most important factor for developing

market-orientation. In fact, this factor affects other aspects of market-orientation and leads to conflicts reduction, communications improvement, establishment of a reward-oriented system, and decentralization of decision-making (Narver et al. 1998). With regard to the aforementioned points, the third proposition can be proposed:

Proposition 3: Implementation of transformational leadership and increases communication level (which is one of the main components of internal marketing) in an organization.

3.4 Transformational leadership, training and development

It can be argued that since intellectual stimulation and inspirational motivation are two dimensions of individual- oriented behavior of transformational leader, their utilization would enhance the performance of employees and boost their development. Therefore, understanding the different needs of each of the followers, led to the development of personal potential (Avolio et al. 2004). In conclusion, it can be posited that transformational leadership style serves as a major factor affecting internal marketing dimensions. As such, another proposition can be presented based on the literature review, which demonstrates a channel between transformational leadership and internal marketing dimensions. Accordingly, the following propositions can be proposed,

Proposition 4: High level of transformational leadership in an organization can improve the level of training, knowledge, and development of employees.

Proposition 5: High level of transformational leadership is correlated with high level of internal marketing in an organization.

4 The relationship between TL and IM: individual and organizational outcomes

TL creates a mental connection between employees and the organization, so that employees come to accept the defined goals and values of the organization. Moreover, employees are encouraged to work assiduously and stay in the organization to fulfill the organizational

vision. Besides affecting employees, transformational leadership influences organizational climate (Kao 2015). According to the norm of reciprocity, the employees who receive individual support from their leaders are more likely to demonstrate higher organizational citizenship behavior (OCB), which assists the leader (Podsakoff et al. 2000; Bilgin et al. 2015). Other studies suggest that individualized attention of leaders to subordinates nurtures trust, respect, and motivation of employees to work beyond expectations (Walumbwa et al. 2005). Also, identification of diverse needs of employees contributes to their personal development. As such, transformational leaders are capable of motivating subordinates to be more involved in their job by encouraging them to find novel solutions for problems and challenges, and identifying their need, which subsequently induces high level of organizational obligation in subordinates (Avolio et al. 2004).

4.1 Effect of TL on social capital and employee loyalty

Organizations provide a fertile ground for formation of different social networks and leadership naturally takes shape within these networks. Leadership is one of the key roles in a social network and it is the anchor that holds work teams' relations together. In addition, leadership is a means of increasing social capital, correlation, and intergroup links. Therefore, it can be argued that an organization's level of social capital increase in commensurate with the level of leaders' transformational actions increase. The results of a study shows that, inspiring people, creating groups, and establishing team connection are among main duties of managers, which acquires their meaning from the leadership role of managers.

Therefore, it is reasonable to say that effective leadership can increase social capital of an organization (Bennis 1997). Accordingly, Tansley (2007) posit that leaders in an organization can create integrated teams and thus increase social capital of the organization. Also, leaders

play a crucial role in social capital improvement by facilitating group activities, coordination, and problem solving (Bodin and Crona 2008). In fact, leaders who honor ethics and accountability, both in state-affiliated and private sections, can help the development of social capital. These leaders reinforce communicative networks and increase the level of mutual trust (Maak 2007). In this context, it can be said that one of the requisites of each organization is to develop a culture that facilitate the development of social capital by employees.

Transformational leadership is a process in which leaders and subordinates attempt to elevate each other's level of ethics and motivation, and leaders encourage their subordinates to focus on interest of the group, organization, and society rather than their individual interests (Burns 1978) and manifest noble ethics and ideas such as liberality, justice, equality, peace, and humanity; therefore, presence of a transformational leadership in an organization is a step towards promoting social capital of an organization. In fact, leaders are dedicated to create a shared vision among organization members. As such, transformational leadership inspires employees to go beyond their individual interests and focus on overall interests of the organization. That is, transformational leadership is intended to create actual relationships between people, make significant changes, focus on values, and develop a share vision among organization members (Martin 2015). Similarly Kouzes and Posner (2003) contend that inducing a shared vision is a dimension of transformational leadership, which can help reinforce social investment.

As a result, transformational leaders celebrate creativity of all organization members and include employees' ideas in their decision-makings. In fact, taking into account employees' thoughts and feedbacks, and adopting a collaborative management style lead to employees'

growth and development and improve their motivation and job satisfaction, which can in turn increase the level of social capital in an organization. In fact, transformational leaders transform their group and identity and change the nature of truth, which lay the ground for the development of social capital and realization of its goals. Also, managers who incorporate ethics in their organizational performances and decisions create social capital by developing ethics-oriented relationships. With regard to the points discussed above, the following proposition can be presented,

Proposition 6: Higher level of transformational leadership is correlated with higher level of social capital in an organization (i.e., transformational leadership can increase the level of social capital among employees in an organization).

We argue that the effect of transformational leadership on employee loyalty is facilitated through the variable of commitment to organization. The effect of transformational leadership on organizational commitment has been shown in the literature (Peachey et al. 2014; Avolio et al. 2004; Parr et al. 2013). On the other hand, organizational commitment, as an attitude towards employee loyalty, is a continuous process, which is determined through people partnership in decision makings of the organization, people's familiarity with the organization, its success, and prosperity (Cheng et al. 2003). Thus, commitment refers to employee loyalty to organization. In this context, if transformational leadership style is promoted in management, it will foster employee commitment (Cottrell, 2011). Therefore, leaders need to devote enough time to employees' training and guidance, focus on the importance of group collaboration in organization mission, and encourage and reward employees when they succeed in achieving their goals with the aim of reinforcing and increasing organizational commitment.

Accordingly, it can be concluded that if managers show greater regard for transformational behavior, it will increase employee loyalty to organization. Given that these factors are hidden in transformational leadership dimensions, especial attention of managers and leaders to these factors can increase the level of employee loyalty to organization. Accordingly, the following proposition can be presented,

Proposition 7: high level of transformational leadership style in managerial practices of managers can increases the level of employee loyalty to organization.

This study also focuses on IM outcomes, the most important of which is explained here. In IM, it is necessary for a company to gather and analyze information related to internal market such as demographics of employee, their needs, level of satisfaction, and factors affecting their satisfaction. Company should evaluate both external and internal environments in order to gather and analyze all necessary information related to potential employees or competitors' employees. Given that companies compete with each other for the recruitment of potential employees with high job quality who can give competitive edge to the company, they need both internal and external information about employees. In this regard, recruitment is keys factors of IM (Panigyrakis and Theodoridis 2009). From this perspective, IM is considered as one of human resource management tools which prepares employees for provision of better services to customers (both internal and external) through identification and satisfaction of their need (internal customer-orientation). It has been shown that internal marketing is a communicative process that aims to develop a customer-oriented organizational culture (Khalaf Ahmad and Al-Borie 2012).

Since management is a continuous and complex process, and it cannot be considered as distinct and separate functions, internal marketing requires integration of these different

functions (Chan 2005). Thus, internal marketing represents the convergence of some management functions including human resource management, employees' relationships, strategic management, quality management, organizational communications, and mega marketing (Finney and Hansen 2010). Since the most important and valuable capital of each organization is its human capital, as it can affect the success or failure of an organization, developing employee commitment is of crucial important to managers.

Hence, focusing on internal marketing and its components such as training and developing human resources, employee motivation, and proper communications can improve the commitment of employees (which leads to employee loyalty), more obligations to organizational goals and values, more active roles in organization, fewer leaving of organization and less seeking for new job opportunities. Moreover, results of different researches show that internal marketing effects on factors such as; job satisfaction, entrepreneurial orientation, employees' performance, organizational innovation, organizational citizenship behavior, employee loyalty and, etc.

4.2 Effect of IM on social capital and employees loyalty

Employee loyalty and particularly social capital are among factors that their relationships with IM have not been studied sufficiently. There are evidences that show a positive relationship between social capital and IM. We believe that IM influence the creation and reinforcement of social capital in an organization. It can be argued that curriculum is one of the most important processes that is at work societies and organizations for creation of social capital. The performance of educational and training systems can significantly affect cultural components and social capital at social level. At organizational level, training courses for employees serve as a proper base for reinforcement of social capital. Moreover, these training

courses in organization can foster networking (that is, considering training and development from the dimension of internal marketing) which makes employees more familiar with each other through sharing information, knowledge, and point of views. Ultimately, it leads to the establishment of a communication network in the organization. Networking and communications are important steps in process of generating social capital (Fredricks 2003; Zacharakis and Flora 2005; Piran et al. 2015).

Zaccaro and Klimoski (2001) stressed the importance of increasing communications in the form of organizational networks. Moreover, training can be considered as a form of organizational investment for individual development. That is, individuals are more likely to develop skills, knowledge and a common language when they come to appreciate such an investment (Rousseau 1995). It can be concluded that sharing knowledge and creating a common language among employees through training programs would nurture trust and empathy among employees, which in turn leads to the creation and reinforcement of social capital in an organization, besides its effect on development of harmony, homogeneity, and compatibility among employees (Cable and Parsons 2001).

On the other hand, since human skills (human relations) are one of the main responsibilities of managers; so, managers of all departments in an organization are responsible for maintaining of human communications. Therefore, since communication is one of internal marketing dimensions used by many researchers in studies on internal marketing (Ahmed and Rafiq 2003; Narteh and Odoom 2015; Al-Hawary et al. 2013), it can play a significant role in generation and reinforcement of social capital. Thus, communications ,whether formal or informal and particularly positive interpersonal communications, can be effective in formation of networks in work groups of employees, which lead to the reinforcement of the

communicative dimension of social capital in further stages (communicative dimension focuses on interpersonal communication among individuals in their interaction with each other, and as discussed earlier, holding training courses and stressing communications can help the creation and reinforcement of these relations) and as a result, social capital is created in the organization.

In the same manner Maurer and Ebers (2006) believe that interpersonal relations shape the essence of social capital theory (Ellinger et al. 2013). Another study shows to which organizations are capable of developing an internal culture by focusing on open relations, vision sharing, and trust and thereby encouraging employees for greater performance, which at the same time lead to creation of social capital (Merlo et al. 2006). Therefore, the following proposition is presented:

Proposition 8: The efficient implementation of internal marketing by focusing on open relations, vision sharing, and trust can be effective in creation and reinforcement of social capital in an organization and among employees.

Employee loyalty is one of the critical issues that today's organizations are faced with (Wu and Norman 2006). Employee loyalty involves a kind of emotional attitude (Hajdin 2005). In fact, a loyal employee will develop emotional relationship with the company and tolerates monetary dissatisfaction in his/her job (Martensen and Grønholdt 2006). Mathieu and Zajac (1990) define loyalty as an emotional commitment of an employee to interact and continue a stable and conscious relationship with other employers based on trust for the pleasure of such a relationship (Narteh and Odoom 2015). Loyalty has also been defined as 'tendency to make investment or self-dedication for reinforcement of a relationship' (Mehta et al. 2010).

Therefore, managers should increase employees' tendency for self-dedication, prioritizing organizational benefits to individual benefits, and supporting the organization through creation of a proper organizational climate to develop employee loyalty. One way to achieve this is to focus on internal marketing and implement its dimensions (including empowerment, training, reward, communications, etc.) in an organization. Moreover, organizations can create emotional associations in employees by executing a justly reward system. This emotional association is known as loyalty (Awwad and Agti 2011).

In addition, managers of departments can increase the level of employee satisfaction and improve the quality of services offered by employees (as the final goal of internal marketing), by giving authority to them for fulfilling their responsibilities, and this will subsequently increase the loyalty of employees to the organization. This has been confirmed by a number of studies according to which there is a high level of correlation between employee empowerment, job satisfaction, and loyalty (Fulford and Enz 1995; Christen et al. 2006).

Moreover, Martensen and Grønholdt(2006)contended that employees' training increase their loyalty to the organization. That is, employees pay greater attention to training because they see themselves as a worthy element in the organization (Martensen and Grønholdt 2006) which subsequently leads to greater job satisfaction and loyalty (Narteh and Odoom 2015). In these cases, organizations can reach their goals through proper implementation of internal marketing dimensions, as this brings about job satisfaction and loyalty of employees. In fact, today's leaders and managers require a means of motivating employees and nurturing their loyalty, which can be achieved through implementation of internal marketing and its dimensions. IM lies at the heart of human resource management. Using tools such as employees' training and development, motivation and reward, effective internal

communications, and empowerment of employees through their involvement in decision makings, we can satisfy employees' needs and increase their satisfaction, which in turn boosts employee loyalty to the workplace, job and organization. In light of the above points, the following proposition can be presented,

Proposition 9: Higher level of internal marketing in an organization has a significant effect on creation and reinforcement of employee loyalty.

This article mainly discussed internal marketing and its dimensions. Nowadays, human resources, as the essence of internal marketing and human resources management, have become the primary concern of many organizations, particularly service-oriented organizations. Therefore, we decided to study the factors affecting the creation and reinforcement of internal marketing in organizations. After studying different sources, it was concluded that transformational leadership was an important dimensions of internal marketing in organizations, which was unfortunately understudied by researchers. This leadership style creates effective communications, grants authority to employees, empower and motivate employees as the most important components of internal marketing, and leads to creation and reinforcement of internal marketing. Accordingly a model is presented based on the outcomes of these two variables and outcomes of the relationship between transformational leadership and internal marketing (such as social capital and employee loyalty), which shows the most important implications of this relationship (Figure 3).

<<<Insert Figure 3>>>

An analysis of the framework of this article (figure 3 & 4) which was discussed in details in previous section, show that internal marketing, as a moderator and mediator, can facilitate the

effects of transformational leadership on social capital and employee loyalty. Based on this argument, transformational leaders need to focus on values shared by employees through developing actual relations among individuals and making significant changes, which in turn leads to the formation of common vision in the organization (Martin 2015).

Besides, transformational leadership is a conscious, ethical and spiritual process, which establishes an equal pattern of power relationships among leaders and followers with the aim of reaching a collective goal or actual transformation (Cottrell, 2011; Magliocca and Christakis 2001). Internal marketing focuses on the importance of communications. In fact, a network of effective and constructive communications is created in form of work groups, which leads to vision sharing, group cooperation, sympathy and trust. Moreover, it leads to the reinforcement of social capital and the level of employee loyalty, which in turn facilitates the effect of transformational leadership on loyalty and social capital.

The results of another research have shown that this leadership style provides emotional and affective support for its followers through greater consideration for employees (i.e. the dimension of individual considerations), which leads to empowerment and personal development of followers (Wu et al. 2010). Therefore, since empowerment is a key element in successful implementation of internal marketing, giving authority to employees results in their empowerment and subsequently enhanced level of job satisfaction and quality of services provided (which is the final goal of internal marketing), which finally leads to an increase in the level of employee loyalty.

Moreover, by giving authority and independency to employees through the adoption of participatory management, leaders can establish a kind of trust, sympathy, and cooperation

between employee and manager, which will facilitate the reinforcement of social capital in the organization. Besides, the aim of internal marketing is to pay greater attention to employees and attempt to satisfy their needs through implementation of internal marketing in the organization. This invokes a sense of respect in employees (internal motivation) and consequently increases their job satisfaction and loyalty to organization, which in turn facilitates the effect of transformational leadership on employee loyalty. Therefore, the following proposition is presented,

Proposition 10: Higher level of internal marketing by adopting a supervising role moderates the effects of transformational leadership on employee loyalty and social capital.

<<<Insert Figure 4>>>

Finally, based on the proposed framework (Figure 3 and 4), a general model of the relationship between transformational leadership, internal marketing, employee loyalty, and social capital is proposed, in addition to the most important outcomes of these relationships, as shown in Figure 5.

In the first part of the model, a conceptual framework is provided, which constitutes the essence of this study -that is, the relationship between internal marketing and transformational leadership and identification of social capital and employee loyalty. As can be seen, in this part of model, the effect of important variables such as motivation, empowerment, communications and job satisfaction on internal marketing is shown, in addition to the relationship between employee loyalty and internal marketing. The results of these relationships constitute the third part of the model, which include higher job performance, organizational citizenship behavior, and organizational commitment. In addition, it is worth noting that job satisfaction and organizational commitment are

considered as job attitudes whereas job performance and organizational citizenship behavior are considered as job behavior of employees. Finally, the results of these relationships are shown in the fourth part of the model. In this part, the final goal of internal marketing (customers satisfaction), is described. However, it also involves other individual and organizational outcomes such as improved efficiency, higher incomes, improved creativity and innovation, and so forth.

Based on the Figure 5, it can be concluded that proper implementation of transformational leadership by organizations will produce outcomes, as shown in Figure 5; Therefore, the adoption of this leadership style would reinforce social capital and increase the level of internal marketing in the organization. Therefore, since transformational leadership is a process in which leaders and followers help each other reach higher level of ethics and motivation, and given that groups of leaders urge their followers to go beyond their individual benefits and consider group, organizational, or social benefits, with scant effort to promote ethical features and superior ideas such as liberality, justice, equality, peace, and humanity in the organization, the presence of transformational leaders in the organization marks a step towards promoting social capital. These relationships involve outcomes such as higher job performance, organizational citizenship behavior, job satisfaction, organizational commitment and employee loyalty, which form the fourth part of the model.

<<<Insert Figure 5>>>

5 Conclusion and recommendations

Given the points discussed in the literature, the conclusions of this study are shown in Figure 5 as can be seen; transformational leadership can increase the level of internal marketing in

an organization. It is worth noting that in the propose model, two important outcomes have been stressed, which have been largely disregarded in the previous researches (namely social capital and employee loyalty). Therefore, these two outcomes were identified and illustrated in the model, which serves as a good guide for future researches. One main way of increasing social capital is to increase public institutions and formations in organizations. Another way discussed in most researches is to hold different events in the organization. In addition, the management needs to be participatory and managers should develop organizational citizenship behavior through building trust in employees and leading them to group works. Also, we believe that leadership style, management, and management actions (i.e. participatory management and developing work groups) play a key role in developing social capital, so that it can improve employee trust and increase their involvement.

Also, some initiatives taken by managers, particularly transformational leaders, such as planning a camp, organizing sport races, offering necessary information about organization to employees, being open to employees' suggestions, holding shared meetings with employees about revision, heeding feedbacks and trying to avoid organizational silence can develop social capital. Therefore, it can be said that social capital development is a variable of actions undertaken by transformational leaders. Accordingly, some studies have stated that communicating with people as a team is one of the main responsibilities of managers defined in the leadership role of managers. Therefore, it seems that effective leadership is capable of increasing the level of social capital in the organization (Bennis 1997).

Also, some studies contended that leaders in organizations could contribute to the formation of integrated teams, which finally improved the level of social capital. On the other hand, we believe that organizational behavior is related to people recognition and human

communications depend on the establishment of relationships and application of such recognition to communications. Therefore, if managers focus on improving communications, involvement, and consultation between employees and with employees, it can improve human relationships, foster the level of trust and empathy and reinforce communications in the organization, which in turn leads to improved social integrity and networking, and subsequently the creation of social capital. In addition, managers can use concepts of inspirational motivation and intellectual stimulation to increase job satisfaction of employees, which is followed by provision of high quality services to customers (as the final goal of internal marketing). In addition, such considerations not only involve employee's needs, demands and wishes, but also improvement of their potential talents.

Therefore, by motivating and empowering employees in this way, managers can increase the level of executing internal marketing process in the organization and raise employee satisfaction and loyalty, offer high quality services, and increase level of customer satisfaction. Finally, in the first section of model, the relationship between transformational leadership and employee loyalty is shown.

Moreover, it is suggested that future studies explore the effect of transformational leadership on creation and reinforcement of employee loyalty. Since human capital is considered as the main and most effective factor in today's organizations, we can encourage employees to express their ideas and comments freely. When employees have the opportunity to share their idea with each other, the creation of a common language and common stories is facilitated.

Therefore, it is necessary for an organization to have a think tank and support new ideas. It can be aided by an involvement and suggestions system. Since a suggestion system is a

means of improving organizations, it can be argued that supporting the promotion of a suggestions system is a necessity rather than an option. In fact, given that organizational maturity could be considered as the aim of implementing incentive systems, organizations should make efforts to implement these incentive systems with the aim of encouraging the involvement of employees in reaching organizational goals. Moreover, despite the research gap on the relationship between social capital and employee loyalty, it can be concluded that social capital can increase the level of employee loyalty to organization.

That is if managers and leaders pay greater attention to the dimensions of social capital (cognitive, structural, and communicative dimensions), employees will get familiar with the vision, mission, and plans of the organization. Also, they feel a sense of being important in the organization (i.e. this sense of meaningful will encourage employees and increase their loyalty), which is encouraged by vision sharing, networking, cooperation, sympathy, trust, and involvement in organizational activities. Moreover, this creates trust and empathy among employees and between employees and departments, which finally increase the level of employee loyalty to organization. Therefore, the study of this relationship could be an avenue of research for future researches. We hope that the results of this paper contribute to the development and richness of future researches on transformational leadership, internal marketing, employee loyalty, and social capital.

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Figure 1: Transformational leadership pattern

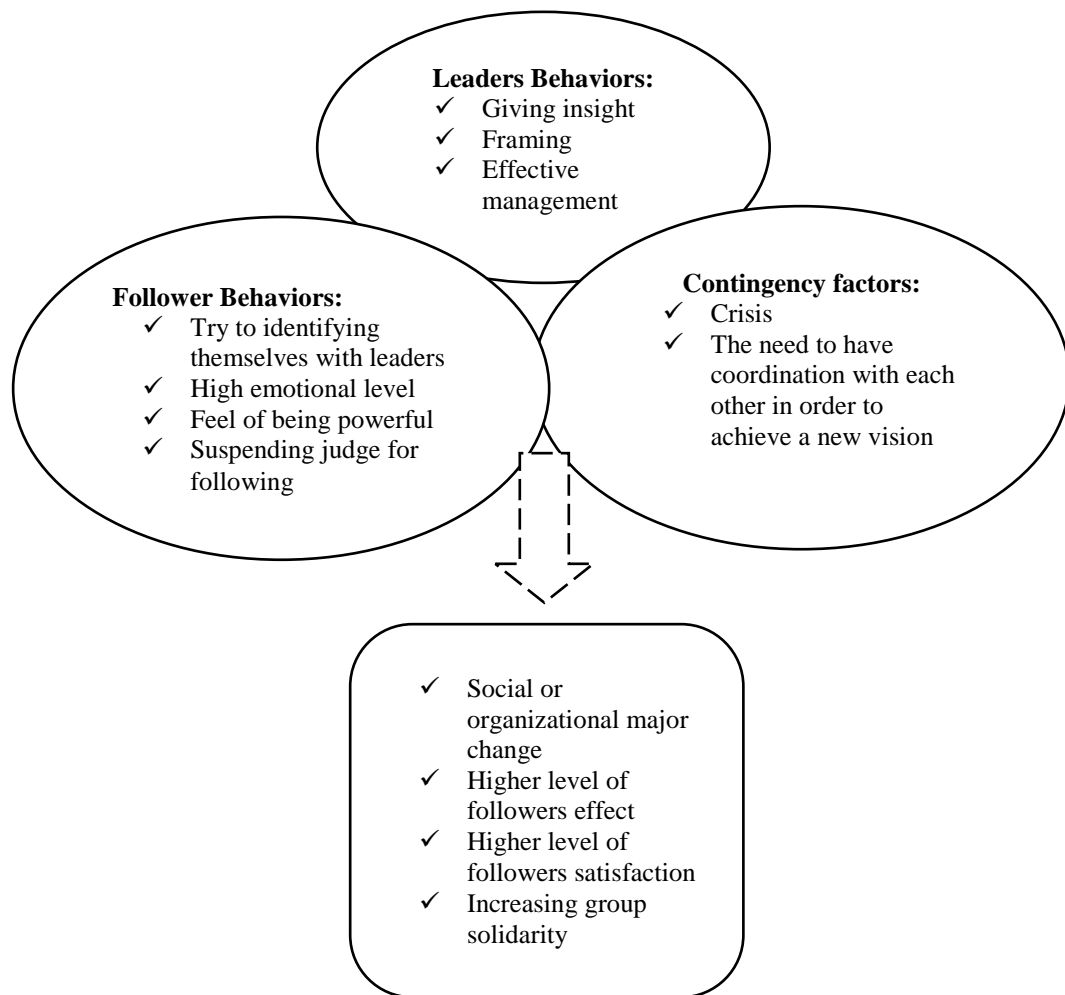
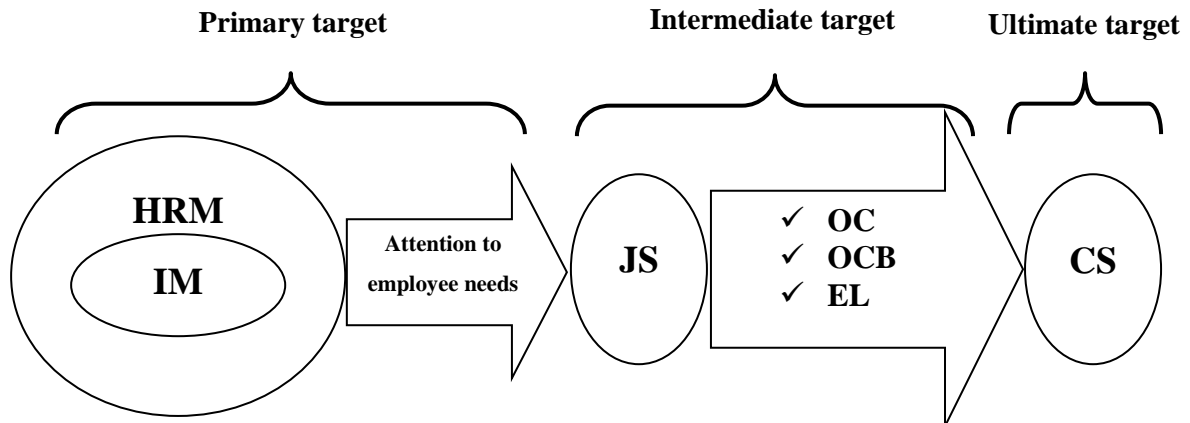


Figure 2: The model representing the relationship between human resource management and internal marketing; whit emphasis on internal marketing goals



Note: **HRM**= Human Resource Management; **IM**= Internal Marketing; **JS**= Job Satisfaction; **OC**= Organizational Commitment; **OCB**= Organizational Citizenship Behavior; **EL**= Employee Loyalty; **CS**= Customer Satisfaction.

Figure 3: Effect of TL on IM and its outcomes

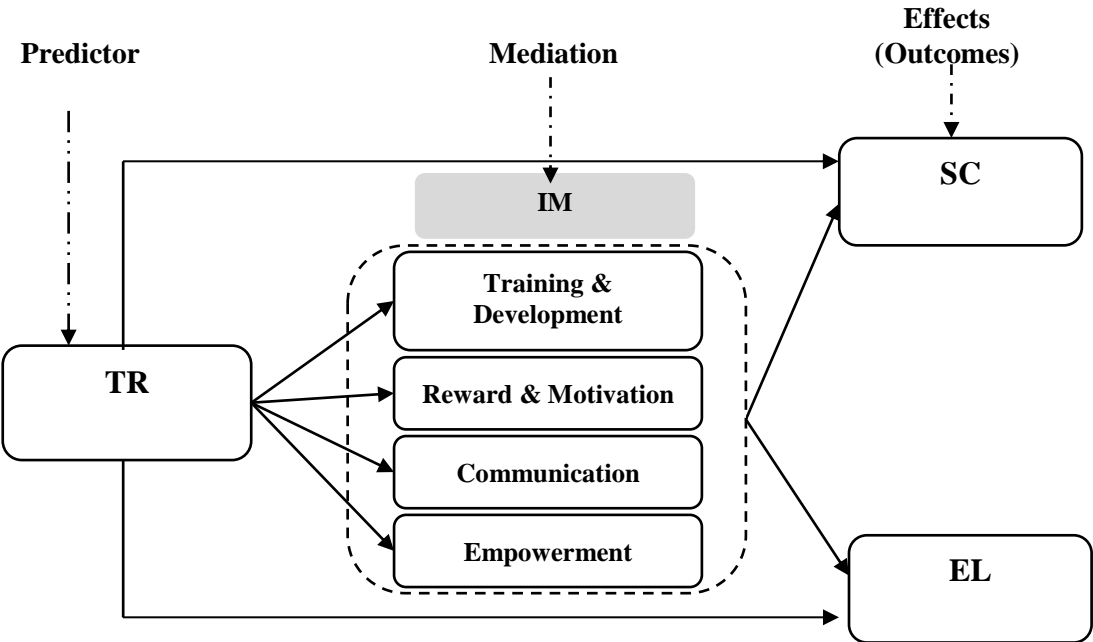
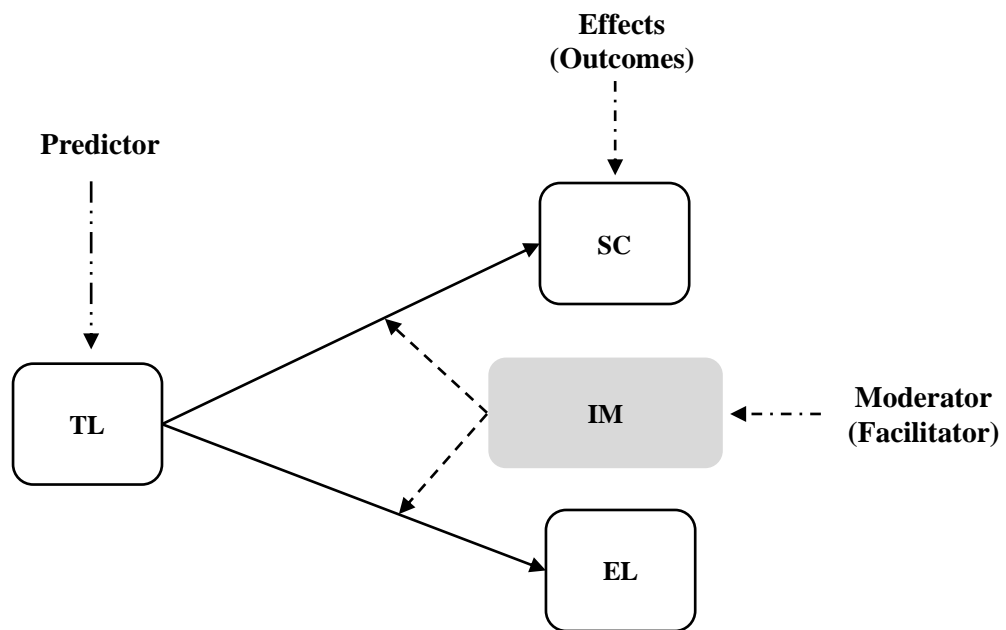


Figure 4: Moderating role of IM in the relationship between TR, SC and EL



The diagram illustrates a conceptual model of the relationship between leadership, employee engagement, and organizational outcomes, divided into four parts:

- Part 1:** TL (Transformational Leadership) influences SC (Service Climate), IM (Institutional Mechanisms), and EL (Employee Loyalty). SC and IM also influence EL.
- Part 2:** IM influences a box containing three factors: Motivation, Empowerment, and Relationship. This box influences Job Satisfaction.
- Part 3:** Job Satisfaction influences a box containing three factors: Job Performance, OCB (Organizational Citizenship Behavior), and OC (Organizational Commitment). SC also influences Job Satisfaction.
- Part 4:** The outcomes of the model are grouped into four categories:
 - Customer Satisfaction
 - Increase Efficiency
 - Increase Effectiveness
 - Productivity Improve (Organizational, Human Resource)
 - Organizational Performance
 - Innovation & Creativity Improve
 - Increase Revenues
 - Decreases Costs

Table 1: Different components of internal marketing in the literature

Researchers	Internal marketing components
Kim et al. (2016)	Welfare Systems, Training, Compensation, Communication, Management Supports.
Finn et al. (1999)	Respect, speed and accuracy, benefit information, awareness, active feedback.
Ballantyne (2000)	Involvement of employees in development of policies, processes and procedures, one-way feedback, training, information sharing, mutual communications and team learning.
Bansal et al. (2001)	Job security, extensive trainings, generous rewards, information sharing, employee empowerment, reduced differences between levels.
Ahmed and Refiq (2003)	Internal communications and information sharing, human resource training, empowerment, team making and group activities and a dynamic organizational structure to provide the organizational vision.
Ha et al. (2007)	Integration of responsibilities, customer-orientation, job satisfaction, empowerment, employee motivation, service quality, employee development, setting organization vision, strategic rewards, internal communications, and senior leadership.
Khalaf Ahmad and Al-Borie (2012)	Election and recruitment, training and development, organizational support, motivation and reward, maintenance policy.
Akroush et al. (2013)	Recruitment, training, communications, motivation, job security and employee maintenance.